

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----054293 051027Z /16
O 050959Z JUL 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 0647

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 07332

EXDIS

DEPT ALSO PASS AGRICULTURE FOR SECRETARY BERGLAND AND
STR FOR AMBASSADOR STRAUSS

E.O. 11652: GDS
TAGS: EAGR, ETRD, EEC
SUBJECT: GUNDELACH'S VIEWS ON AGRICULTURAL PROSPECTS

1. A CONCERNED FINN GUNDELACH, VISIBLY TIRED, CHATTED
WITH ME PRIVATELY FOR OVER AN HOUR JULY 4 ABOUT THE MTN,
ESPECIALLY AGRICULTURE. WHILE STATING HE NOT YET PREPARED
FOR EITHER STRAUSS VISIT HERE OR FOR HIS VISIT TO WASH-
INGTON, FINN ALLOWED AS HOW HE COULD DISCERN SATISFACTORY
AGRICULTURAL OUTCOME TO NEGOTIATIONS, IF... THE "IFS"
ARE MANY AND MAJOR.

2. 1977 HAS BEEN A BAD YEAR. PROTECTIONIST PRESSURES ARE
GROWING AND THE WILL TO RESIST IS WEAKENING. THE SUMMITS
FOR ALL THEIR MERIT HAVE FAILED TO REVIVE CONFIDENCE IN
ECONOMIC PERFORMANCE OR TO GIVE IMPETUS TO THE MTN. "PRE-
CISELY WHY BOB STRAUSS IS COMING TO BRUSSELS,"I COMMENTED.
WORDS IN COMMUNIQUE ARE NOT ENOUGH, REAL PROGRESS MUST
NOW BE MADE. YES, HE AGREED, AND PRIORITIES SHOULD BE
SET, BUT COULD EARLY PROGRESS REALLY BE MADE GIVEN NATION-
AL ATTITUDES, FORESEEABLE FRENCH AND BRITISH ELECTIONS,
AND LACKING AN OVERALL DEADLINE UNTIL 1979? HOWEVER, HE
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WAS READY TO TRY, THOUGHT THE EARLIER COUNTERVAILING
DEADLINE COULD BE USED, AND WOULD WELCOME SERIOUS TALKS
NEXT WEEK. IT WOULD BE CRITICAL TO AVOID LEAKS.
HE COULD NOT AFFORD TO HAVE IT GET BACK TO THE MEMBER
STATES THAT HE PLANNED TO SEEK A NEW MANDATE FOR AGRI-
CULTURAL NEGOTIATIONS. HE HAS ALREADY SCHEDULED A MEETING
OF AGRICULTURAL MINISTERS TO BE DEVOTED TO THIRD COUNTRY

PROBLEMS FOR THE AUTUMN -- THE FIRST SUCH MEETING IN AT LEAST TEN YEARS, IF NOT EVER. HE WOULD TRY TO GET THEM FOR ONCE TO LOOK AT THE BIG PICTURE.

3. HE WANTED AN MTN PACKAGE THAT WOULD PERMIT THE COMMUNITY PROGRESSIVELY TO REDUCE GRAIN PRICES IN REAL TERMS. COMMISSION ANALYSIS INDICATED THAT DEMAND FOR MEAT AND DAIRY PRODUCTS WAS CONSIDERABLY LESS PRICE-INELASTIC THAN FORMERLY POSTULATED. CONSUMPTION WAS NOT GROWING AND AT EXISTING PRICES, SURPLUSES WOULD CONTINUE TO ACCUMULATE AND PRESSURES FOR MORE NOT LESS EXPORT SUBSIDIZATION WOULD MOUNT. THE CAP MIGHT INDEED BREAK DOWN, BUT THOSE WHO THOUGHT THAT WOULD BE TO THE GOOD WERE BADLY MISTAKEN. RATHER THE RESULT WOULD BE TRADE CHAOS SINCE EACH OF THE NINE WOULD THEN SEEK SELF-SUFFICIENCY WITH ALL KINDS OF NATIONAL PRODUCTION INCENTIVES AND PROTECTIVE DEVICES.

4. HE KNEW OR THOUGHT HE KNEW MORE OR LESS WHAT WE WANTED FROM THE NEGOTIATIONS. SOME EUROPEANS THOUGHT WE WOULD SETTLE FOR FINANCING OF WHEAT STOCKS AND LIMITS ON RESTITUTIONS. THAT, WITHOUT SOME TRADE LIBERALIZATION, HE THOUGHT WOULD NOT BE GOOD ENOUGH FOR US, AND IT CERTAINLY WOULD NOT DO FOR EUROPE -- PRICE STABILIZATION WAS ALSO A PRE-REQUISITE. BUT FOR A SATISFACTORY PACKAGE, HE NEEDED FAR MORE. HE WANTED TO OPEN THE COMMUNITY TO MEAT IMPORTS. THE YUGOSLAVS, ARGENTINIANS, AND OTHERS HAD A LEGITIMATE CONFIDENTIAL

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GRIPE. THE COMMUNITY WITH ITS SURPLUSES COULD NOT CONTINUE. TO IMPORT NEW ZEALAND BUTTER AND CHEESE, BUT NEW ZEALAND HAD A LEGITIMATE NEED FOR MARKETS. WHAT WERE WE PREPARED TO DO ABOUT MEAT AND DAIRY? THE MTN HAD TO PRODUCE PROGRES IN THESE SECTORS -- TO THE EXTENT THAT IT WAS PERCEIVED AS DOING SO IT WOULD BE MUCH EASIER TO DEAL WITH OTHER AGRICULTURAL TRADE. NOTHING WOULD STRENGTHEN HIS HAND MORE THAN A US INDICATION OF WILLINGNESS TO EXPLORE MEANS OF STABILIZING SOY BEAN PRICES. PERHAPS THIS COULD BE COUPLED WITH IMPROVED ACCESS ARRANGEMENTS FOR OTHER FEED GRAINS. BOTH WOULD HELP HIM REDUCE INPUT PRICES FOR THE MEAT/DAIRY SECTOR AND CREATE THE POLITICAL CONDITIONS NECESSARY FOR LOWER CAP GRAIN PRICES. HE KNEW THAT COMMUNITY EXPORT RESTITUTIONS HAD TO BE LIMITED. HE WANTED TO DO IT, BUT TO BE SUCCESSFUL, ONE HAD TO ATTACK THE UNDERLYING PRICE DISPARITIES.

5. WHERE TO NEGOTIATE GRAINS, WHETHER IN LONDON OR IN GENEVA, WAS QUESTION ONLY BECAUSE SOME EC MEMBER STATES WERE SUSPICIOUS OF LONDON VENUE. APART FROM REALITY OF MEMBER STATES VIEWS, HE COULD PROCEED IN LONDON, PROVIDED ALL ISSUES EVENTUALLY WERE BROUGHT TOGETHER. BUT DAIRY

AND MEAT APPARENTLY HAD TO BE IN GENEVA.

6. FOR SOME OTHER PRODUCTS, THE MTN TARIFF FORMULA COULD BE APPLIED, BUT TARIFF FORMULA COULD NOT DEAL WITH SUCH ISSUES AS SEASONAL IMPORT GATES. MOREOVER, FRENCH CONDITIONS FOR ENLARGEMENT OF THE COMMUNITY SEEMED TO REQUIRE . EITHER THE KIND OF INSANE PRICING POLICIES FOR MEDITERRANEAN PRODUCTS THAT HAD LED TO THE GRAINS, DAIRY, MEAT MESS OR THE NEGATION OF THE COMMUNITY PRINCIPLE OF A SINGLE MARKET. ENLARGEMENT NEGOTIATIONS AND RELATED PRESSURES WOULD NOT MAKE IT EASIER TO BRING THE ITALIANS AND FRENCH . TO MAKE MTN CONCESSIONS ON CITRUS AND TOBACCO.

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEES.CONFIDENTIAL
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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----054315 051028Z /10

O 050959Z JUL 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 0648

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 07332
EXDIS

DEPT ALSO PASS AGRICULTURE FOR SECRETARY BERGLAND AND STR
FOR AMBASSADOR STRAUSS.

7. IN COURSE DISCUSSION, I INFORMED GUNDELACH OF TREASURY DECISION RE DANISH BUTTER COOKIES AND URGED QUICK QUIET WAIVER NEGOTIATION. HE ASKED WHY BUTTER COOKIES AND NOT OTHER PROCESSED PRODUCTS? I HAD GOOD ANSWER: BECAUSE SO FAR ONLY US BUTTER COOKIE PRODUCER HAD COMPLAINED. HE REMINDED ME THAT HE HAD BEEN MOST CAREFUL ABOUT EC SUBSIDIES. HE HAD RESISTED PROPOSALS FOR MORE EXTENSIVE POULTRY SUBSIDIES INTO THIRD MARKETS AND HAD SEEN TO IT THAT INCREASED PORK EXPORT RESTITUTIONS DID NOT APPLY TO US. HOWEVER, IT WOULD HELP HIM IF WE COULD STAND STILL FOR MINOR ADJUSTMENT ON CANNED HAM. HE WOULD EXPLORE THIS ON SIDE DURING WASHINGTON VISIT.

8. COMMISSION WELCOMED STRAUSS VISIT AND SCHEDULED FOLLOW-
ON TALKS IN WASHINGTON. WHILE OVERALL SITUATION NOT
BRIGHT, THAT MADE IT ALL THE MORE IMPORTANT TO GET THINGS
MOVING. HINTON

NOTE BY OC/T: NOT PASSED.

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Message Attributes

Automatic DecapTIONing: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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DecapTION Date: 22 May 2009
DecapTION Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
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Message ID: 312d5171-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1971029
Secure: OPEN
Status: NATIVE
Subject: GUNDELACH'S VIEWS ON AGRICULTURAL PROSPECTS
TAGS: EAGR, ETRD, EEC, MTN, (GUNDELACH)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/312d5171-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009